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	Cambridge IGCSE – May/June 2015	0455	21

4 (a) Define ‘multinational company’. [2]

- a company that has its headquarters/is based in a country (1) but produces in a number of countries (1)

(b) Explain why governments may discourage strikes. [4]

- strikes disrupt output/service provision (1) this may result in customers being lost (1)
- increase firms’ costs of production (1) and lose international competitiveness (1)
- lower output/incomes/GDP (1) and therefore lower living standards (1)
- may reduce exports (1) and so harm the balance of payments position (1)
- may cause unemployment (1) leading to higher spending on welfare benefits (1)
- may discourage FDI (1) and job opportunities (1)
- lower output will reduce tax revenue (1) and so reduce the government’s ability to spend (1)

(c) Analyse three reasons why trade union membership may decrease in a country. [6]

- trade union subscriptions may increase (1) making it more expensive for people to join a trade union (1)
- legislation may reduce the power of trade unions (1) this would make membership less valuable (1)
- employers may not recognise trade unions/be reluctant to employ members of trade unions (1) this may make people reluctant to join as it would reduce their employment opportunities
- unemployment may mean that there are fewer people in employment to belong to trade unions (1) it will weaken the power of trade unions (1)
- in a boom period/high level of economic activity (1) workers may gain wage rises/better working conditions without belonging to a trade union (1)
- workers may be satisfied with pay and conditions (1) may not agree with actions of trade union (1)
- government action to improve the pay and/or conditions of workers e.g. introduction of national minimum wage (1) reduces the need for collective bargaining (1)

(d) Discuss whether a rise in the wages a firm pays would reduce its profits. [8]

Up to 5 marks for why it might:

- higher wages will mean a higher wage bill (1) if output does not increase by more than wages, labour costs per unit will increase (1) costs of production will increase (1) profit is revenue minus costs (1) with higher costs and the same revenue, profit will fall (1)

Up to 5 marks for why it might not:

- paying higher wages may prevent strikes (1) this can reduce costs of production (1)
- higher wages may motivate workers (1) this can increase productivity (1) reduce costs of production (1)
- higher wages may make it easier to recruit workers (1) this can reduce costs of production (1)
- higher wages may make it easier to recruit skilled workers (1) this will raise productivity (1) reduce costs of production (1)
- other costs may be falling (1) e.g. rent, corporation tax (1)
- demand for the firm’s products may be increasing (1) this will raise revenue (1)
- higher wages may be paid to a smaller labour force (1) reducing the wage bill (1)